



DEPARTMENT OF THE AIR FORCE

HEADQUARTERS AIR FORCE MATERIEL COMMAND
WRIGHT-PATTERSON AIR FORCE BASE OHIO

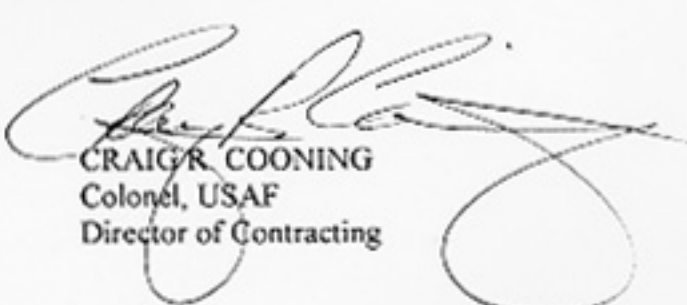
20 May 1998

MEMORANDUM FOR COMMANDER, DCMC

FROM: HQ AFMC/PK
4375 Chidlaw Road, Suite 6
Wright-Patterson AFB OH 45433-5006

SUBJECT: Class Deviation to FAR 42.703-1(b), 42.703-1(c)(2), and 2.708(a)(2)

1. A class deviation to FAR 42.703 and FAR 42.708 and a subsequent memo issued by SAF/AQC are attached. Four Air Force Materiel Command (AFMC) centers may now use expanded quick closeout procedures without restriction on prime and lower-tier subcontractors' cost-reimbursement, fixed-price incentive, fixed-price redeterminable and time-and-material contracts. This deviation was briefed at the 4 Feb 98 Joint Services Contract Administration Services Executive Meeting. At that meeting you indicated your support of this innovative approach to timely contract closeout.
2. I have established a test period (1 May 98 through 30 Sep 99) to determine the impact of the deviation. During this test, your Administrative Contracting Officers (ACOs) will play an influential role. Aggressive application by ACOs of this expanded authority will give a fair test of the deviation and will validate its potential for DoD-wide savings. I ask your support to ensure the most aggressive application possible.
3. I have developed several metrics to measure the effectiveness of the deviation. One of the metrics is a proposed "Common Metric" and has been provided to your Contract Closeout, Property and Termination team for review. Your AFMC liaison, Ms. Tina Ballard, has been involved in developing this metric and will populate it monthly with MOCAS data. I appreciate her aggressive support in this effort.
4. I support this class deviation. It is important to the Air Force and has potential benefit for all of DoD. If you have questions or comments, please contact our contract closeout focal point, Major Bob Boyles, HQ AFMC/PKPA, DSN 986-0378, or E-mail boylesr@wpgate1.wpafb.af.mil.



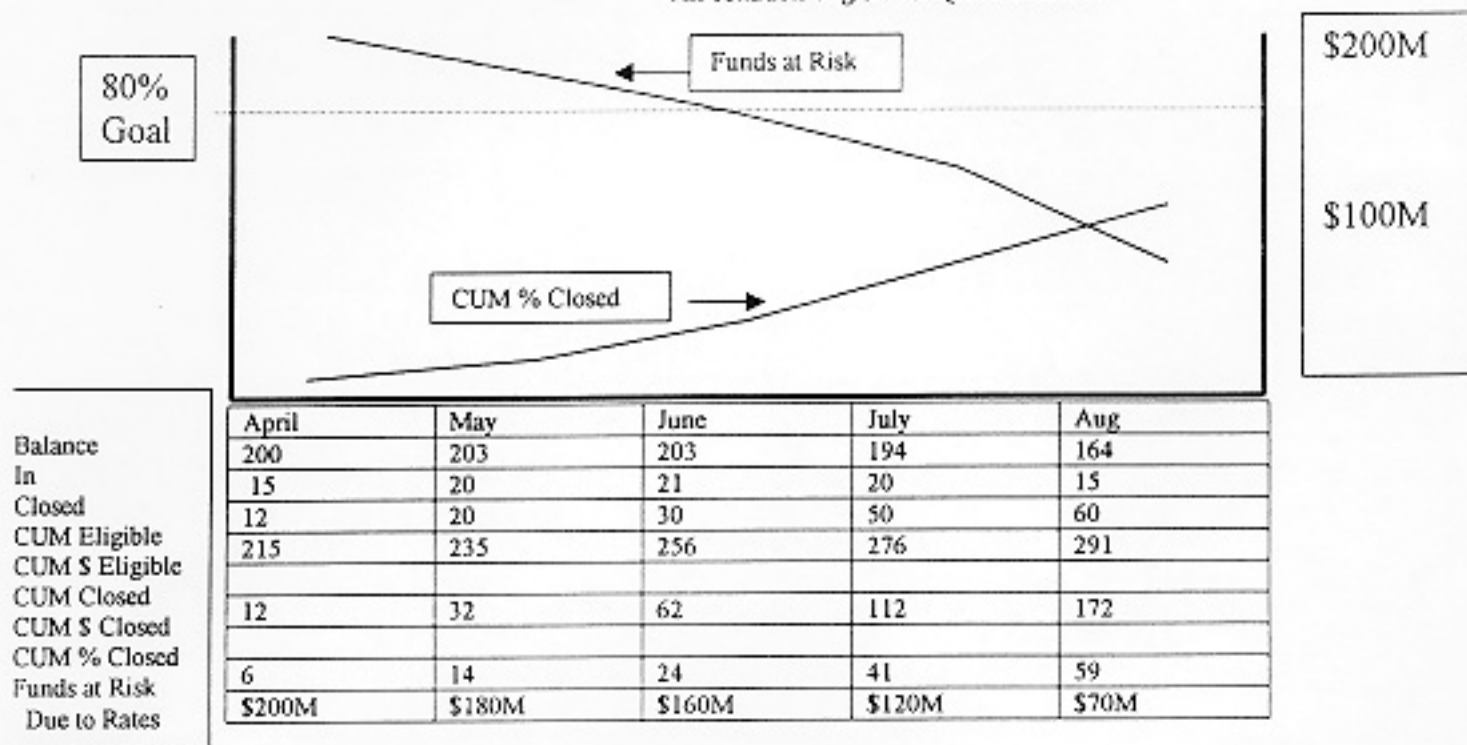
CRAIG R. COONING
Colonel, USAF
Director of Contracting

Attachments:

1. Class Deviation w/4 May 98
SAF/AQC Clarification
2. Metrics 5 and 6

Percentage of Contracts Closed and Funds at Risk

All contracts eligible for Quick Closeout



What are We Measuring

Two Things:

- The percentage of eligible contracts closed
- Funds at risk of cancellation due to awaiting negotiated overhead rates

Desired Outcome

Of those contracts meeting the below criteria, an increase in the cumulative percentage of contracts closed and a reduction of funds at risk of cancellation.

Criteria

- All Physically Complete Contracts (except those in litigation or termination)
- Minus FFP contracts
- Minus FP/EPA contracts
- Minus Labor Hour contracts
- Funds at risk of cancellation due to awaiting negotiated overhead rates

What is our Goal

Close 80%, or better, of the contracts within the test pool. Reduce the funds at risk of cancellation, due to rates, to zero.

**APPROVAL OF REQUEST FOR CLASS DEVIATION TO
FAR 42.703-1(b), 42.703-1(c)(2), and 42.708(a)(2)**

**Use of Quick Close-out Procedure for all Cost Reimbursement, Fixed-Price
Incentive, Fixed-Price Redeterminable and Time-and-Material Contracts**

In accordance with DFARS 201.402(3) and under the authority granted to me by Director of Defense Procurement memo, dated 30 Sept 1997, I hereby approve the attached request for a class deviation to FAR 42.703-1(b), FAR 42.703-1(c)(2), and FAR 42.708(a)(2) to permit the use of quick close-out procedures on both prime and lower tier subcontractors' flexibly-priced contracts regardless of the dollar value of indirect costs involved and the percent of the indirect costs allocable to cost-type contracts. This deviation waives the limitations that quick close-out procedures can only be used if the amount of unsettled indirect costs allocated to one or more contracts in a single fiscal year do not exceed 15 percent of the estimated, total unsettled indirect costs allocable to cost-type contracts for that fiscal year. This deviation is subject to the following conditions:

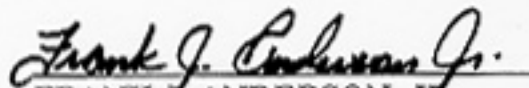
-- It applies to cost-reimbursement, fixed-price incentive, fixed-price redeterminable and time-and-material contracts.

-- After written concurrence of the cognizant Administrative Contracting Officer (ACO), the contracting office will use the ACO-determined final recommended indirect cost rates in lieu of final negotiated indirect cost rates on specific contracts using quick close-out procedures. The ACO-determined final recommended indirect cost rates must be based on a certified incurred cost proposal submitted by the Contractor, which is audited by the Defense Contract Audit Agency.

-- This deviation is limited to Aeronautical Systems Center, Space and Missiles Systems Center, Sacramento Air Logistics Center, and San Antonio Air Logistics Center, of the Air Force Materiel Command for the period commencing with the date of this waiver and terminating on September 30, 1999.

9 MAR 1998

Date


FRANK J. ANDERSON, JR.,
BRIG GEN, USAF



DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC 20330-1060

Office Of The Assistant Secretary

MEMORANDUM FOR HQ AFMC/PK

04 MAY 1998

FROM: SAF/AQC
1060 Air Force Pentagon
Washington, DC 20330-1060

SUBJECT: Clarification of Class Deviation to Federal Acquisition Regulation (FAR)
42.703-1(b), 42.703-1(c)(2) and 42.708(a)(2) (SAF/AQC memo, 9 Mar 1998)

Based on questions from the Defense Contract Management Command (DCMC) and the Defense Contract Audit Agency (DCAA) concerning our recent deviation, we hereby issue the following clarifications:

Consistent with the definition at FAR 2.101, the term "contracting officer" (line 2 of the second condition of the Deviation) should be read as the "Procuring Contracting Officer or, if delegated, the Administrative Contracting Officer." The demonstration and the deviation were conceived on the basis that they would apply to Air Force-written contracts of the selected sites, regardless of who had administrative cognizance.

The limitation on the redelegation of authority to use the deviation (last sentence of the first paragraph in our 9 March 1998 memo) is hereby clarified to permit the Administrative Contracting Officer to use the deviation to close-out Air Force contracts that are written by the sites designated in the deviation.

The phrase "... which is audited by the Defense Contract Audit Agency" (line 6 of the second condition) means "... which has been audited by the Defense Contract Audit Agency (unless there is a compelling business reason)." This is consistent with our original intent that there should not be widespread use of the procedure based on unaudited overhead proposals, without a compelling reason (such as imminent cancellation of funds).

Please address questions to Mr. Paul A. Schill, SAF/AQCP, (703) 588-7053 (DSN 425-7053). His e-mail address is pschill@af.pentagon.mil.

TERRY L. RANEY, COL, USAF
Acting Associate Deputy Assistant Secretary
(Contracting)
Assistant Secretary (Acquisition)



DEPARTMENT OF THE AIR FORCE
AIR FORCE MATERIEL COMMAND
WRIGHT-PATTERSON AIR FORCE BASE OHIO

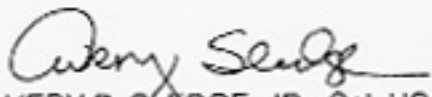
24 Jun 98

MEMORANDUM FOR DCMC-O

FROM: HQ AFMC/PKP
4375 Chidlaw Road, Suite 6
Wright-Patterson AFB OH 45433-5006

SUBJECT: Request for Class Deviation to Federal Acquisition Regulation (FAR) 42.703-1(b),
42.703-1(c)(2) and 42.708(a)(2) (HQ AFMC/PK Memo to Commander, DCMC,
18 May 98)

1. Per the 12 Jun 98 SAF/AQC memorandum (Atch 1), Electronic Systems Command (ESC) has been added as an additional test location for the class deviation identified in the referenced memorandum. Aeronautical Systems Center, Space and Missile Systems Center, San Antonio Air Logistics Center, and Sacramento Air Logistics Center were previously identified as test centers. You may now use expanded quick closeout procedures without restriction on prime and low-tier subcontractors' cost-reimbursement, fixed-price incentive, fixed-price redeterminable, and time-and-material contracts issued by ESC.
2. Please direct any questions to Mr. John Berg, HQ AFMC/PKPA, DSN 787-6056, E-mail berg@wpgatcl.wpafb.af.mil or Major Roberta Burke, HQ AFMC/PKPA, DSN 986-0378.


AVERY P. SLEDGE, JR., Col, USAF
Chief, Contract Policy Division
Director of Contracting

Attachment:
SAF/AQC Memo, 12 Jun 98